

The Washington Merry-Go-RoundTHE WASHINGTON POST Friday, January 12, 1962 **B25**

U. S. Funds Gave McCone Big Start

By Drew Pearson

President Kennedy has picked some A-1 men for high office—some of the best in the past two decades. But the President must have had his mind on the Berlin crisis when he picked John A. McCone to head the giant Central Intelligence Agency, which has a vital influence over American foreign policy.



Pearson

Looking back over McCone's past, he has a record for making money out of Uncle Sam unequaled by any other man now in Government. The record is all spelled out in congressional hearings.

Cross-examined regarding his shipbuilding partnership with Henry Kaiser interests at San Francisco during the war, McCone admitted to the House Merchant Marine Committee that the Government had put up almost all the capital for their California Shipbuilding Co., of which McCone was president. It netted around a 44-million-dollar profit.

"What was the total cost to the Government of building your yard?" asked committee counsel Marvin Coles.

"Some \$25 million," replied McCone.

"How much of the moneys of your corporation were in-

vested in the physical yard?" "Very little, very little," replied the president of the company.

"Were there any profits to subcontractors?"

"Oh yes, there must have been."

A Wonderful Deal

"Did any of the executives receive management salaries that were reimbursable by the Commission?"

"The executives . . . were reimbursed in a manner agreed to by the Commission."

"And that was with Government funds?" McCone was asked.

"That is correct."

"With material supplied by the Government, with labor paid for by the Government, with interest on borrowed capital paid for by the Government, with management salaries paid for by the Government, what were the fees and profits paid for?"

"For the building of ships," replied McCone, without batting an eye.

The House Merchant Marine Committee also developed the fact that the Government had turned over to McCone, Kaiser et al., all of the Government's materials, machinery, and other facilities located at the shipyard estimated as worth about \$14 million.

"The Government put in \$25 million to the building of this yard," counsel Coles asked. "At the time of the completion of the contract was there any Government-owned

shipbuilding material in California Shipbuilding Co.'s yards?"

"There was," was McCone's laconic reply.

Coles asked if the value of \$14 million was accurate.

"That might have been the original cost of it, but a large percentage of it was nothing."

"Did you pay any money for this shipyard and the surplus property in the yard when you acquired it from the Government?" Coles asked.

"We relieved the Maritime Commission of all their obligations and responsibilities for the restoration of the site that was owned by the Los Angeles Harbor Board," was McCone's reply.

More Gravy

"Did you receive in addition to this yard that had cost \$25 million and this material which may have cost \$14 million, an additional sum of \$2.5 million in cash?" pressed Coles.

"No," replied McCone, "but we did receive a revision of our selective price contract under which the amount of recapture was reduced by \$2.5 million."

"So in effect you got an additional \$2.5 million, did you?"

"You might put it that way," finally admitted the president of the shipping company.

Rep. Alvin Weichel, Ohio Republican, also brought out the fact that McCone-Kaiser deducted from income taxes \$4 million in nonreimbursable

expenses, which McCone said was given away in salary bonuses, charities, group insurance premiums, and ship-launching expenses.

"Did you give away \$5000 diamond necklaces?" asked Congressman Weichel.

"No, we gave \$60 cigarette boxes," replied McCone, adding that the top gift was \$800 to a ship sponsor.

Summarizing the facts, McCone's fellow Republican, Congressman Weichel, said: "The total number of ships you built was 467. The plant cost the Government \$25 million. There was \$14 million worth of property there when it was finished and you got \$2.5 million credit. That is roughly \$41 million . . ."

Adding in some other figures and making a quick calculation, Weichel concluded:

"Altogether your company got \$91 million for building 467 ships. Roughly, without the deduction of taxes, it cost the Government nearly \$200,000 in fees for each ship built by your company."

"The Todd (shipbuilding) people," Congressman Weichel pointed out, "had roughly \$11 million in fees and the plant cost about \$14 million. There was about half the cost to the Government. Yours was \$200,000 per ship."

That was how John A. McCone, now nominated to be head of CIA, got his big start up the business ladder to big Government jobs and more profits in business.

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